

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01

CEA-01 COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01

DOT-00 AGR-05 FEAE-00 INT-05 OES-03 /114 W

----- 044109

R 261651Z NOV 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4674

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BEIRUT

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 19271

DEPT ALSO PASS USINT BAGHDAD

E.O. 11652: GDS

TAGS: PFOR, EGEN, EFIN, ENRG, GW, KU, IZ

SUBJECT: VISIT OF FRG ECONOMICS MINISTER TO IRAQ AND
KUWAIT.

REF: A. KUWAIT 4972; B. BONN 17750 (NOTAL)

1. SUMMARY: FIRST FRG MINISTERIAL VISIT TO IRAQ
AMD KUWAIT NOV. 9-12 AIMED (A) TO STRENGTHEN WEST
GERMAN PRESENCE IN BURGEONING IRAQI MARKET FOR
CAPITAL GOODS, AND (B) TO INCREASE KUWAITI INVESTMENTS
IN WEST GERMANY AND TO EXPLORE WITH GOK PROSPECTS
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FOR TRIANGULAR AID PROJECTS IN LDCS. VISIT PRODUCED

NO SPECIFIC AGREEMENTS, BUT OVERALL RESULT APPEARS TO BE A PLUS FOR FRG RELATIONS WITH BOTH COUNTRIES. END SUMMARY.

2. FOLLOWING ASSESSMENT' BASED ON EMBOFF'S NOV. 24 TALK WITH FRG OFFICIAL (SCHMIDT) WHO ACCOMPANIED ECONMIN FRIDERICH'S AND STATE SECRETARY ROHWEDDER ON NOV. 9-12 VISIT TO IRAQ AND KUWAIT, DRAFTED PRIOR RECEIPT REF A.

3. GENERAL. AS FIRST FRG MINISTER TO VISIT EITHER COUNTRY, FRIDERICH'S SOUGHT MORE TO REINFORCE BONN'S INTEREST IN AREA THAN TO CONCLUDE AGREEMENTS. NUMBER OF WEST GERMAN BUSINESSMEN WERE IN HIS ENTOURAGE, HIGHLIGHTING FOCUS ON TRADE ISSUES. FRG TEAM WAS STRUCK BY DRAMATIC CONTRAST BETWEEN HUMORLESS, DRAB IRAQIS AND OUTGOING, MODERNIZED KUWAITIS. THEY SAW BETTER BUSINESS PROSPECTS IN IRAQ, BUT FELT MORE AT HOME IN KUWAIT.

4. IRAQ. GOI REPEATEDLY TRIED TO OBTAIN FRG CONCESSIONARY CREDITS, ANALOGOUS TO "GUARANTEED PRICE CLAUSES" AND OTHER SWEETENERS WHICH JAPAN HAD OFFERED DURING HEIGHT OF OIL CRISIS. IN LINE WITH STANDARD FRG POLICY, FRIDERICH'S REJECTED ALL SUCH REQUESTS.

A. VISIT FAILED TO PRODUCE EXPECTED AGREEMENT ON TECHNICAL/ECONOMIC COOPERATION BECAUSE OF IRAQI DEMAND FOR SPECIAL CONSIDERATIONS AND BECAUSE IRAQIS OFTEN HAD NO PRECISE IDEA OF WHAT THEY WANTED OR NEEDED FROM FRG. SCHMIDT CONFIRMED THAT IN PRINCIPLE FRG REMAINS WILLING TO OFFER TECHNICAL TRAINING SERVICES TO IRAQ, ALONG LINES OF ITS RECENT ARRANGEMENT WITH SAUDI ARABIA.

B. DESPITE STRONG RESERVE WITH WHICH GOI TREATED VISITING FRG OFFICIALS, WEST GERMAN-IRAQI RELATIONS IN ECONOMIC SPHERE ARE THRIVING. IN PAST TWELVE MONTHS, IRAQ HAS BECOME FRG'S BEST CUSTOMER IN MIDDLE EAST: E.G., ORDER FOR 12,000 MERCEDES TRUCKS, AND AWARD OF ENGINEERING CONTRACT FOR 1200-KM HIGHWAY. WEST GERMAN FIRMS ARE LABORING FOR NEW CONTRACTS TO

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BE AWARDED UNDER GOI'S FIVE-YEAR, \$40 BILLION PLAN, WHICH ALLOTS SOME \$11 BILLION FOR INDUSTRIAL DEVELOPMENT. FRIDERICH'S SAW MAJOR BENEFIT OF TRIP IN LEARNING SECTORAL DETAILS OF THAT PLAN. HE PREDICTED ON RETURN THAT WEST GERMAN FIRMS WILL GET GOOD SHARE OF NEW CONTRACTS, "IF OUR COMPETITORS DO NOT FORCE US FROM THE MARKET BY MEANS OF STATE SUBSIDIES."

NOTE BY OC/T: NOT PASSED USINT BAGHDAD.

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5. KUWAIT. TALKS IN KUWAIT APPEAR TO HAVE BEEN INCONCLUSIVE. FRG EXPLORED WILLINGNESS OF GOK TO PLACE MORE OF ITS INVESTMENTS IN WEST GERMANY (SCHMIDT SAID TOTAL KUWAITI HOLDINGS HERE ARE SOME \$1 BILLION). KUWAITIS TRIED, WITHOUT SUCCESS, TO PERSUADE FRG TO MATCH TAX CONCESSIONS WHICH THEY CLAIMED UK AND FRANCE HAVE RECENTLY OFFERED IN ORDER TO LURE NEW KUWAITI INVESTMENTS. FRIDERICHS ALSO PROBED CHANCES FOR TRIANGULAR ARRANGEMENT ON DEVELOPMENT AID, WHEREBY GOK WOULD BANKROLL

PROJECTS WHICH WOULD EMPLOY WEST GERMAN FIRMS IN
LDCS. HOWEVER, GOK ARGUED THAT IT COULD NOT ASSURE
THAT ITS VARIOUS DEVELOPMENT FUNDS WOULD AWARD
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THESE CONTRACTS TO WEST GERMAN FIRMS. ISSUE
REMAINS OPEN FOR FURTHER DISCUSSION.

6. OIL. OIL PLAYED DECIDEDLY SECONDARY ROLE IN
BOTH CAPITALS. AMONG OTHER REASONS, FRG COVERS ONLY
SMALL FRACTION OF ITS PETROLEUM NEEDS FROM IRAQ AND
KUWAIT, AND HAS NO INTEREST IN SURPLUS OIL WHICH
BAGHDAD NOW TRYING TO UNLOAD. RARE LIGHT MOMENT IN
BAGHDAD VISIT OCCURRED AFTER OIL MINISTER AQRAWI
MADE STANDARD DIATRIBE AGAINST OIL MULTIS. ROHWEDDER
RIPOSTED BY NOTING THAT FRG PUBLIC OPINION REGARDS
MULTIS AS PARTNERS OF OPEC IN INFLECTING QUINTUPLED
OIL PRICES ON WORLD. AQRAWI STOPPED, MUSED AT LENGTH,
AND LAUGHED. HE DID NOT MENTION MULTIS AGAIN.

7. CIEC. IRAQIS TOOK STRAIGHT OPEC PARTY LINE ON
NEED FOR INDEXATION, PRODUCER-CONSUMER COOPERATION,
ETC. THEY SHOWED NO DESIRE TO EXPLORE PRACTICAL
DETAILS OF FOUR COMMISSIONS. KUWAITIS, ON OTHER
HAND, WERE OPENLY SKEPTICAL AS TO WHAT CIEC COULD
PRODUCE, THOUGH DETERMINED TO HAVE THEIR OWN SEAT.

8. COMMENT: FRG SEEMS MODERATELY SATISFIED WITH
RESULT OF FRIDERICH'S VISIT. DESPITE ALLURE OF FUTURE
IRAQI ORDERS, FRG WELL AWARE HOW DIFFICULT IT IS TO
DO BUSINESS WITH BAGHDAD. IN ADDITION TO ABOVE-NOTED
FACTORS WHICH FRUSTRATED SIGNING OF ECONOMIC AGREEMENT,
RECENT IRAQI CALLING OF PERFORMANCE BONDS POSTED BY
WEST GERMAN FIRMS (PARA 4, REF B) ILLUSTRATES PROBLEM.
IN EACH CASE FRG REIMBURSED COMPANIES BECAUSE IT
VIEWED IRAQI STEP AS "UNJUSTIFIED" OR "POLITICAL".
END COMMENT.
HILLENBRAND

NOTE BY OC/T: NOT PASSED USINT BAGHDAD.

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